ANNUAL REPORT 2017

A'SAFFA FOODS S.A.O.G.

الصفاء للأغذية ش.م.ع.ع

Core values of Healthy food, Health and Happiness.

Omani

His Majesty

Sultan Qaboos bin Said

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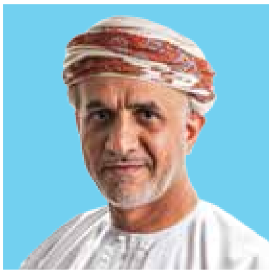
BOARD OF DIRECTORS



Sheikh Rashid Saif Mohammed Al Saadi
Chairman

Eng. Ali Hilal Ali Al Kuwari
Vice Chairman

Mr. Fahad Mohammed Al AbdulQader
Director

Mr. AbdulAziz Mohammed Nasser Al Nadabi
Director

Sheikh Majid Salim Said Al Fannah Al Araimi
Director

Eng. Mohammed Khalifa Al Jalahma
Director

Mr. Abdulla Mohamed Al Alansari
Director

Auditors

ERNST & YOUNG

Legal Consultants

Zaid Al-Malki & Nasser Al-Tabiab
Advocacy & Legal Consultant

Internal Auditor

Mr. Saleem Padmavathy Vasu

Bankers

Oman Arab Bank SAOC - Al Yusr Islamic Banking
Bank Dhofar SAOG - Maisarah Islamic Banking Services
National Bank of Oman SAOG - Muzn Islamic Banking
Bank Muscat SAOG - Meethaq Islamic Banking
Alizz Islamic Bank SAOG

Registered Office

P.O. Box 458, Postal Code 211, Salalah
Sultanate of Oman

Principal Place of Business

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DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to welcome you to the 16th Annual General Meeting of your company and present the Directors' Report and the Audited Financial Statements for the year ended 31st December, 2017.

Business Environment

The Omani economy has been on a steady transformation course through development plans. Oman's five years plan (2016 – 2020) was made as Vision 2020 which focused the Sultanate's economic and social goals, including economic and financial stability, broadening private sector participation, diversifying the economic base and sources of national income, globalization of the Omani economy, upgrading the skills of the Omani workforce and developing human resources etc.

Business Performance

In spite of the challenging environment, A'Saffa have been able to show growth in its sales. For the year under review, the company achieved the Sales of RO 31,943,607 as compared to RO 30,556,601 during 2016.

A'Saffa is operating at full capacity and therefore require the expansion of its facilities to achieve further growth.

Expansion Plan

The Board of Directors have approved the expansion project in July 2017 to double the production capacity. The total cost of expansion project was estimated at RO 45 million. It is expected to complete the expansion project during the first quarter of 2019 and production will start at increased capacity during the second quarter of year 2019.

Financial Performance Review for 2017

The parent company achieved net profit before tax for the year 2017 for RO 4.461 million as compared to RO 5.070 million during preceding year. The decrease in net profit was mainly due to the increase of electricity and fuel cost.

The parent company net profit after tax for the year 2017 was RO 3.742 as compared to RO 4.454 million in the previous year 2016. The tax has been provided at 15% for the current year as compared to 12% for the previous year.

The consolidated net profit before tax achieved for the year 2017 for RO 5.164 million as compared to RO 5.229 million during preceding year.

Subsidiaries

1) A'Saffa Food Processing LLC

We are pleased to inform a strong performance of A'Saffa Food Processing LLC. The company achieved the Sales of RO 4.404 million as compared to RO 2.950 during 2016 showing a strong growth of 49% as compared to last year.

The company posted net profit of RO 432,879/- as against RO 135,506/- for the previous year.

2) A'Saffa Logistics LLC

The A'Saffa Logistics also completed its first full year of operation during the year 2017 with robust performance. The company achieved the net profit before tax of RO 0.160 million as against loss of RO (0.002) million for the previous year 8 months operation.

3) A'Saffa Eggs LLC

The Board of Directors approved the project in the year 2010 to produce 100 million table eggs per annum and the company had arranged the financing for the project at same time. The implementation of the project, however, is getting delayed due to the allotment of land and well.

Dividend

I am pleased to announce that your Board of Directors are recommending a cash dividend of 20% (20 Baisas per share) of the paid up capital subject to approval of the shareholders during the Annual General Meeting on March 29, 2018.

Our Commitment to Shareholders

Your company maintains the principle of sustainable development, keeping in view the growing food demand in the region. Our actions are guided by the aim to make business decisions that give credence to our social, environmental, economic responsibility and achieve Government resolve for food safety of the country.

Future Outlook

Oman's economy is expected to grow by minimum three per cent in 2018, according to the 2018 budget statement issued by the Ministry of Finance.

The GDP growth is projected to be positive at a rate of at least three per cent in 2018. This is driven by oil price recovery and efforts to diversify the economy and improve investment climate.

The gross capital formation data for the period 2014-2017 showed an increase in private sector contribution to the implementation of investment schemes, rising from 52 per cent in 2014 to 60 per cent in 2017.

The 2018 budget sets out measures that the government will take to achieve the targeted minimum three per cent growth and control inflation rate to maintain per-capita income level.

DIRECTORS' REPORT

Oman's 2018 budget and ninth five-year development plan aim to improve the country's investment environment and enhance the contribution of private sector in economic growth and diversification.

Human Resources

A'Saffa believes that its people are the biggest strength to realize its vision of becoming a leading food producer in Oman. A'Saffa is an energetic and vibrant company that attracts highly skilled professionals. The company has sourced some outstanding local and global talent to drive its growth strategy forward thus emerging far stronger.

The company is focused to the development of Omani graduates by exposing them with sound business knowledge, leadership and technical skills on a continuous basis. Omani graduates have been sent on advanced workshops on a regular basis to improve their skills to operate on modern systems. Further, our company is collaborating with local institutions with the aim of building a local talent pool to meet A'Saffa's requirements. These initiatives will add immense value to the organization's objective of building sustainability into its operations and embedding a culture of belongingness in the company.

Corporate Governance

The Company believes that to succeed on a sustainable basis, it must maintain high standards of corporate governance towards its shareholders, employees, consumers and the community. The company has and will always remain focused on good corporate governance. A separate report on compliance to the Code of Governance for MSM listed companies is enclosed.

Company has aligned its Corporate Governance with the latest Guidelines issued by Capital Market Authority of Oman and has conducted a Board Evaluation as required through an independent third party evaluator appointed by the shareholders in AGM held on March 29, 2017.

Corporate Social Responsibilities

A'Saffa is well aware of the science behind the relationship between humankind and the environment. Our definition of Corporate Responsibility is simple: we believe that every business, and every individual within those businesses, has a responsibility to make the future a better place.

The global community faces enormous challenges such as climate change, food shortages and high living costs, and we believe that our generation, beyond any other in the history of humankind, has to meet these challenges for the benefit of future generations.

While our primary goal is to develop the A'Saffa business continually so that it is more profitable and thereby sustainable in an economic sense, we will do this in a manner that places the principles of sustainability at the heart of what we do.

The A'Saffa Board is strongly committed to the Group's Corporate Responsibility Strategy and its robust implementation to ensure that its objectives are achieved.

A'Saffa aims to build stronger and healthier global communities through education, charitable donations and support of non-profit agencies in the communities in which we operate.

The company has established a fund with the help of the Office of the Minister of State & Governor of Dhofar, which will be utilized to provide help to the orphans and educational scholarships for the needy students. The company has contributed RO 100,000 towards this fund in the year 2017, RO 100,000 in the year 2016, RO 100,000 in the year 2015, RO 100,000 in the year 2014 and RO 100,000 in the year 2013 respectively. 50% of the fund amount is to be allocated to the orphans and the remaining 50% of the amount to the educational scholarships of needy students. The Office of the Minister of State and Governor of Dhofar has formed a committee comprising of Government authorities and one representative of A'Saffa to manage the fund. The committee will regularly update the management about the programs and activities conducted to help the orphans and educational scholarships for the students.

Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere gratitude to His Majesty Sultan Qaboos bin Said for the encouragement and support given by his Government to the private sector and pray to Almighty God to provide Oman and its people with peace and prosperity under His Majesty's wise leadership.

I also wish to thank the Ministry of Agriculture and Fisheries, Ministry of Commerce and Industry, Ministry of Finance and National Economy and other authorities that have been providing great support to the company.

Finally, I take this opportunity to thank all the Shareholders, Investment Funds, Institutions, Companies, Customers and the management and staff for their continued support and confidence in the Company.

Rashid Saif Mohammed Al Saadi

Chairman

Related Party Transactions

The related party transactions for the year ended December 31, 2017 are as follows :

RELATED PARTY TRANSACTIONS – 2017			2017
Sl.	Name of Directors / Company / Major Promoter / Shareholder	Nature of transaction	Amount (RO)
1	A'Saffa Food Processing LLC	Sale of Poultry Meat	350,391
2	A'Saffa Food Processing LLC	Purchase of further processed products	4,183,991
3	A'Saffa Logistics LLC	Office, transportation and hiring of storage facility	463,885
4	National Bank of Oman	Bank Services	3,235
	TOTAL		**5,001,502**

The following are the related party transactions expected in the year 2018 :

Related Party Transactions – 2018			2018 Tentative / Estimate
Sl.	Name of Directors / Company / Major Promoter / Shareholder	Nature of transaction	Amount (RO)
1	A'Saffa Food Processing LLC	Sale of Poultry Meat	500,000
2	A'Saffa Food Processing LLC	Purchase of further processed products	4,000,000
3	National Bank of Oman	Bank Services	10,000
4	A'Saffa Logistics LLC	Office, transportation and hiring of storage facility	500,000
	TOTAL		**5,010,000**

Sitting Fee Details

Sitting Fees paid to the members of the Board of Directors for attending the Board and its Committees meetings.

1. Financial year ended 31/12/2017

In the financial year ended 31/12/2017, sitting fees was paid to the members of the Board of Directors for attending Board or Board Committees Meetings, as detailed below :

Name of the Directors	No. of Board Meeting/s Attended	No. of Audit Committee Meeting/s attended	No. of Executive Committee Meeting/s attended	No. of Nomination and Remuneration Committee Meeting/s attended	Amount (RO)
Sheikh Rashid Saif Mohammed Al Saadi	5	-	-	4	6,300
Eng. Ali Hilal Ali Al Kuwari	5	3	3	3	9,800
Dr. Hamad Saad Majid Al Kuwari (until 29/3/2017)	1	-	-	-	700
Mr. Fahad Mohammed Al AbdulQader	4	4	3	3	9,800
Mr. AbdulAziz Mohammed Nasser Al Nadabi	4	4	-	-	5,600
Sheikh Majid Salim Said Al Fannah Al Araimi (from 29/3/2017 onwards)	4	-	3	-	4,900
Dr. Saeed Ali Salem Al Araimi (until 29/3/2017)	1	-	-	1	1,400
Eng. Mohammed Khalifa Al Jalahma	3	3	-	-	4,200
Mr. Omer Abdulaziz Hamad Al Marwani (until 21/6/2017)	3	1	1	2	4,900
Mr. Abdulla Mohamed Al Alansari (from 21/6/2017 onwards)	2	-	1	2	3,500
				TOTAL	**51,100**

2. FOR THE YEAR 2018

The Chairman of the Board and Members of Board and Sub-Committees are eligible for sitting fee @ RO 700/- per meeting for Board and Committee meetings.

SENIOR MANAGEMENT TEAM

Dr. Nasser Zahir Al Maawali
Chief Executive Officer

Mr. Muhammad Rafique Chaudhry
Chief Financial Officer

Mr. Mohammed Suhail Said Al Shanfari
Deputy CEO Operations/Business Development

Mr. Sidhartha Lenka
Head of Marketing and Sales

Mr. Mohamed Ahmed Al Shanfari
Asst. CEO for Admin. Affairs

MANAGEMENT DISCUSSION & ANALYSIS REPORT

RESULTS OF OPERATION FOR 2017

It was another year of continuous performance and achievement, with accomplishments increased penetration in local market. At each level of the organization, the resilience and resourcefulness of our talented employees ensured that our business continued to grow and that we made inroads in niche product markets.

We stepped up on enhancing efficiencies and improved the services to our customers. A key element of our high level of performance at A'Saffa is the way we work together. We are shaping an environment where team spirit, respect and fairness flourish. We are leveraging on our management capabilities to focus on efficient execution through streamlined initiatives. We are creating specific skills to face the challenges of tomorrow, improving our processes, being flexible and rapidly implementing new business opportunities. The will to set new objectives, the drive to achieve them and the ability to adapt to change in a highly competitive market are yielding results. On the whole, A'Saffa is aiming to drive up the top line as well as bottom line to further strengthen its position as a leading poultry and food processing company.

The following table shows the past five years sales performance ;

Years	Sales (RO)
2017	31,943,607
2016	30,556,601
2015	31,863,225
2014	30,453,438
2013	28,537,045

The Company achieved the above performance level in spite of:

- No increase in sales prices for the general consumers.
- Significant competition from lower-priced imported brands.
- Increase of input cost.

The company's performance in the last 5 years is shown below :

Years	Net equity (RO)	Net profit (RO)
2017	40,517,993	3,742,125
2016	39,175,868	4,454,025
2015	36,881,843	5,795,602
2014	33,246,241	6,438,843
2013	28,698,957	7,219,679

OUTLOOK

We are inspired by our achievements so far, confident in our capabilities, aware of the challenges ahead of us and optimistic of the future. Looking ahead, a key focus will be to set and implement the direction for the next phase of growth and improve our returns. We are conscious where our growth opportunities are and where our efforts and investments need be made.

As we move forward in our journey towards further enrichment and growth, we commit ourselves once again towards the health and well-being of every household and to the task of bringing more smiles to the faces of our employees, shareholders, suppliers and consumers.

KEY STRENGTHS OF A'SAFFA

Economies of Scale and Integration

- Fully integrated poultry project.
- Parent farms to ensure consistency in production and quality.
- Location is ideally suitable for poultry farming.
- No threat for any contagious diseases because of ideal isolated location.
- Good quality of the products.
- Very well established Brand Image.
- Economically viable project size.

The major strength of the company lies in its ability to deliver quality product to its customers resulting in considerable customer satisfaction and delight and importantly in the challenging times ahead, a strong customer loyalty.

Market Penetration & Image

A'Saffa has been able to make great market penetration and created the Brand Awareness in Oman and other GCC countries.

The well thought decision to start direct distribution in all over Oman resulted in greater penetration in the local market which helped in achieving better results.

The significant advantage that the company enjoys is its consistent production of large quantities of Farm Fresh Chickens everyday assuring the customers continuous supply, ready availability, fresh product, Real Halal and high quality product. Delivery "on time, every time" has been our mission and consumer's delight our motto.

"A'Saffa's continued success demonstrates that our Plan to Win works in any environment and has positioned us to continue our performance in 2017."

We believe growth comes from enhanced marketing for our brands and product portfolio and, even more importantly, from driving growth engines that leverage the power of our brands.

People and Technical Expertise

The company has employed highly experienced management staff in all areas of operations. It is continuously imparting training at all levels including Omanis. The Company is also committed to developing the available local Omani workforce around Wilayat Thumrait. The company has a very good management team and technical expertise to effectively run the company.

THREATS & WEAKNESSES

- The Company operates in an industry characterized by high raw material content. The international prices of raw materials are volatile and can potentially have a significant impact on the Company's profitability. The management takes steps to actively monitor and manage these price fluctuations and mitigate the price risk.
- The threat of Bird flu outbreak in some European countries can affect our breeder day old chick importation.
- High influx of cheap and subsidized imported products.

OPPORTUNITIES

- Capability to produce product mix to enhance the margins and profitability.
- To meet the ever growing demand for A'Saffa products and the opportunity to increase the scale of production exists.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has a good system of internal control comprising authority levels and powers, supervision, checks and balances, policies and procedures. The system is reviewed and updated on an ongoing basis. On an annual basis, the Board approves a business plan and budget for the management to adhere to.

CONCLUSION

Financial year 2017 was an exciting and rewarding year for all of us at A'Saffa Foods SAOG. But what is most rewarding to me is how we have positioned the Company for the future.

We look forward to building on the momentum we generated in financial year 2017 and addressing our many opportunities, including our most important one: generating value for our shareholders.

Dr. Nasser Zahir Nasser Al Maawali

Chief Executive Officer

Building a better working world

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Sultanate of Oman

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF A'SAFFA FOODS SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of A'Saffa Foods SAOG (the "Company") as at and for the year ended 31 December 2017 and its application of the corporate governance practices in accordance with amendments to CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2017. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of A'Saffa Foods SAOG to be included in its annual report for the year ended 31 December 2017 and does not extend to any financial statements of A'Saffa Foods SAOG, taken as a whole.

Ernst & Young LLC

19 February 2018
Muscat

إرنست ويونغ ش م م
س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢ ، سلطنة عمان
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

CORPORATE GOVERNANCE REPORT

1. CORPORATE PHILOSOPHY

The Corporate Governance philosophy of A'Saffa Foods SAOG ("the Company") aims at corporate fairness and is committed to the business integrity. As part of this commitment; the Board supports the highest standards of corporate governance and promotes a culture of compliance, transparency and accountability. The objective of Corporate Governance is to enhance the value and maximize interest of stakeholders, which in turn will lead to corporate growth.

2. BOARD OF DIRECTORS

a. Role & Functions

The Board of Directors play a leading role within the organization in developing the Company's strategies and objectives, while ensuring and monitoring the effectiveness of internal controls.

b. Appointment of Directors

The Articles of Association of the Company provide for 7 Directors. The Board of Directors can be appointed either from among the shareholder or others. The qualification shares requirement for a shareholder Director is 500,000 shares. In case of the Directors nominated by the investing companies the qualification shares are held by the respective companies. The Directors are appointed every three years, for a term of three years as per Company Articles of Association, in the Annual General Meeting as per procedures laid down by Capital Market Authority. The current Board of Directors were elected by the shareholders in the Annual General Meeting held on March 29, 2017, and their term will last until March 29, 2020.

c. Composition of the Board of Directors

All the members of the Board have considerable expertise.

The Board comprises of seven members, all of whom including the Chairman are non-executive and independent. Four of the Directors are nominee Directors representing institutional investors and three of them are expert non-shareholder Directors. None of the Directors is a member of the Board of more than four public joint stock companies whose principle place of business is in the Sultanate of Oman (or) is a Chairman of more than two such companies.

The complete list of Board members is as follows ::

Sl.	Name of Directors	Position	Category	Details of Directorship in Other SAOG/SAOC Companies in Oman
1.	Sheikh Rashid Saif Mohammed Al Saadi	Chairman	Non-Executive and independent	1.Chairman, Takaful Oman Insurance SAOG. 2.Director, National Bank Oman SAOG. 3.Director, Oman Orix Leasing Co. SAOG. 4.Chairman, Omani Hospitality Company SAOC. 5.Director, Al Mouj Muscat Co. SAOC. 6.Director, Minerals Development Oman SAOC. 7.Director, Muscat National Development and Investment Company SAOC.
2.	Eng. Ali Hilal Ali Al Kuwari	Director (until 29/3/2017) Vice Chairman (from 29/3/2017 onwards)	Non-Executive and Non-Independent	None
3.	Dr. Hamad Saad Majid AlKuwari	Vice Chairman (until 29/3/2017)	Non-Executive and Independent	None
4.	Mr. Fahad Mohammed Al AbdulQader	Director	Non-Executive and Non-Independent	None
5.	Mr. AbdulAziz Mohammed Nasser Al Nadabi	Director	Non-Executive and Independent	None

6.	Sheikh Majid Salim Said Al Fannah Al Araimi	Director (from 29/3/2017 onwards)	Non-Executive and Non-Independent	1. Chairman, Galfar Engineering & Contracting SAOG. 2. Director, Oman International Development And Investment Company SAOG.
7.	Dr. Saeed Ali Salem Al Araimi	Director (until 29/3/2017)	Non-Executive and Non-Independent	1. Advisor to the Board, Omani Packaging Co. SAOG.
8.	Eng. Mohammed Khalifa Al Jalahma	Director	Non-Executive and independent	1. Director, Dhofar Tourism Company SAOG.
9.	Mr. Omer Abdulaziz Hamad Al Marwani	Director (until 21/6/2017)	Non-Executive and Non-Independent	1. Director, Al-Hosn Investment Company SAOC. 2. Director, Canadian Innovation Company for Education Services SAOC. 3. Director, Oman Qatar Insurance Company SAOC. 4. Director, Dhofar Tourism Company SAOG.
10.	Mr. Abdulla Mohamed Al Alansari	Director (from 21/6/2017 onwards)	Non-Executive and Non-Independent	None

- Mr. Abdulla Mohamed Al Alansari was nominated by Al-Hosn Investment Company SAOC as a Director on June 21, 2017 in replacement of Mr. Omer Abdulaziz Hamad Al Marwani.

d. Number of Board Meetings

During the year 2017, Five Board meetings were held as under:

Board Meeting 1/2017	February 27, 2017
Board Meeting 2/2017	March 29, 2017
Board Meeting 3/2017	April 24, 2017
Board Meeting 4/2017	July 24, 2017
Board Meeting 5/2017	November 13, 2017

e. Directors' Attendance Record

Name of Directors	No. of Meetings held	No. of Meetings attended	Whether attended last AGM
Sheikh Rashid Saif Mohammed Al Saadi	5	5	Yes
Dr. Hamad Saad Majid AlKuwari (until 29/3/2017)	5	1	Yes
Eng. Ali Hilal Ali Al Kuwari	5	5	Yes
Mr. Fahad Mohammed Al AbdulQader	5	4	No
Mr. AbdulAziz Mohammed Nasser AlNadabi	5	4	No
Sheikh. Majid Salim Said Al Fannah Al Araimi (from 29/3/2017 onwards)	5	4	Yes
Dr. Saeed Ali Salem Al Araimi (until 29/3/2017)	5	1	Yes
Eng. Mohammed Khalifa Al Jalahma (from 29/3/2017 onwards)	5	3	No
Mr. Omer Abdulaziz Hamad Al Marwani (until 21/6/2017)	5	3	Yes
Mr. Abdulla Mohamed Al Alansari (from 21/6/2017 onwards)	5	2	No

f. Related Party Disclosure

Details of all commercial and financial transactions where Directors have potential interest are provided to the Board. All related party transactions have been effected without any preferential advantage accruing to any related party concerned.

The nature of significant related party transactions and the amounts involved during the year 2017 were as follows:

Description	Year 2017 (RO)
Office, Transportation and hiring of storage facility	463,885
Purchase of further processed products	4,183,991
Sale of Poultry Meat	350,391
Bank Services	3,235
TOTAL	**5,001,502**

g. Committees of the Board

The Board has the following three committees, whose objectives, powers and procedures are approved by the Board.

i) Audit Committee

The Audit Committee of the Company comprising of four independent members who are also Directors on the Board was reconstituted by Board on March 29, 2017. Mr. AbdulAziz Mohammed Nasser Al Nadabi is a independent director, he is the Chairman of the Audit Committee. The other three members of the Audit Committee are Mr. Fahad Mohammed Al AbdulQader, Eng. Ali Hilal Ali Al Kuwari and Eng. Mohammed Khalifa Al Jalahma having rich experience in Business Management and Internal Controls.

The Audit Committee reviews the financial accounts/ policies, adequacy of internal control systems, interacts with the statutory auditor and internal auditors. The CEO and other functional heads are invitees to the Audit Committee meetings. The Audit Committee reviews the audit plans, audited and un-audited financial results, observation of the internal and external auditors and follow-up on reports of the management. During the year 2017, the Audit Committee met four (4) times. The Minutes of Meetings of Audit Committee are reviewed by the Board of Directors.

During the year 2017, four Audit Committee meetings were held as under:

Audit Committee Meeting 1/2017	February 26, 2017
Audit Committee Meeting 2/2017	April 23, 2017
Audit Committee Meeting 3/2017	July 23, 2017
Audit Committee Meeting 4/2017	November 12, 2017

Name of Directors	No. of Meetings held	No. of Meetings attended
Mr. AbdulAziz Mohammed Nasser Al Nadabi	4	4
Mr. Fahad Mohammed Al AbdulQader	4	4
Eng. Ali Hilal Ali Al Kuwari	4	3
Mr. Omer Abdulaziz Hamad Al Marwani (until 21/6/2017)	4	1
Eng. Mohammed Khalifa Al Jalahma (from 29/3/2017 onwards)	4	3

ii) Executive Committee

The Executive Committee comprises of 4 Directors and is headed by the Vice Chairman of the company, Eng. Ali Hilal Ali Al Kuwari. The Executive Committee meets at periodical intervals as needed and the objective of the Executive Committee is to discharge responsibilities on behalf of the Board in deciding specific policy matters and business matters.

Major decisions and contracts are awarded within the approved mandate by the Executive Committee who is authorized by the Board of Directors to take such decisions and award. They also look into Policies & Procedure and Manpower Plan and the Budget estimates. Besides they recommend Board of Directors on matters in which the Board of Directors have to take decision/give approval.

During the year 2017, there were three meetings of the executive committee held as under:

Executive Committee Meeting 1/2017	May 23, 2017
Executive Committee Meeting 2/2017	September 18, 2017
Executive Committee Meeting 3/2017	November 12, 2017

Name of Directors	No. of Meetings held	No. of Meetings attended
Eng. Ali Hilal Ali Al Kuwari	3	3
Mr. Fahad Mohammed Al AbdulQader	3	3
Dr. Hamad Saad Majid Al Kuwari (until 29/3/2017)	3	-
Dr. Saeed Ali Salem Al Araimi (until 29/3/2017)	3	-
Sheikh. Majid Salim Said Al Fannah Al Araimi (from 29/3/2017 onwards)	3	3
Mr. Omer Abdulaziz Hamad Al Marwani (until 21/6/2017)	3	1
Mr. Abdulla Mohamed Al Alansari (from 21/6/2017 onwards)	3	1

iii) Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of four Directors and is headed by the Chairman of the company, Sheikh Rashid Saif Mohammed Al Saadi. The Board constituted "Nomination and Remuneration Committee" to assist and advise the Board on matters relating to the remuneration of the Board, and the performance and remuneration of Executive management, along with assisting on nomination of Directors and senior executive management.

During the year 2017, there were four meetings of the Nomination and Remuneration Committee held as under:

Nomination and Remuneration Committee Meeting 1/2017	March 27, 2017
Nomination and Remuneration Committee Meeting 2/2017	May 22, 2017
Nomination and Remuneration Committee Meeting 3/2017	September 17, 2017
Nomination and Remuneration Committee Meeting 4/2017	November 13, 2017

Name of Directors	No. of Meetings held	No. of Meetings attended
Sheikh Rashid Saif Mohammed Al Saadi	4	4
Eng. Ali Hilal Ali Al Kuwari	4	3
Mr. Fahad Mohammed Al AbdulQader	4	3
Dr. Saeed Ali Salem Al Araimi (until 29/3/2017)	4	1
Mr. Omer Abdulaziz Hamad Al Marwani (until 21/6/2017)	4	2
Mr. Abdulla Mohamed Al Alansari (from 21/6/2017 onwards)	4	2

Process of nomination of the Directors

The Company follows the Commercial Companies Law, Code of Corporate Governance and the guidelines issued by CMA in this regard. The Company has made efforts to have a Board with appropriate skills, experience and vision.

3. REMUNERATION OF DIRECTORS AND TOP 5 MANAGERS

a) The Chairman of the Board and Members of the Board of the Company are eligible for sitting fee @ RO 700/- per meeting for Board and Committee meetings.

b) Directors sitting fees paid for the year 2017 was RO

51,100/-. Directors' travelling and related cost to attend the meetings during the year was RO 19,905/-. Moreover the Directors remuneration recommended for the year 2017 was RO 140,000/-.

c) Basic salary, allowances and perquisites paid to top five employees in the year 2017 amounted to RO 331,735/- which is fully a fixed component, and RO 32,172/- was paid for business related travel expenses. Gratuity charge for the year 2017 for Expatriate Key Management Staff RO 7,478/- and Social Insurance (PASI) charge for the year 2017 for Omani Key Management Staff RO 10,890/-.

d) The company enters into a contract of employment with each employee and such contracts are in line with regulations of Ministry of Manpower.

4. MEANS OF COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

a) The notice to the Shareholders for the Annual General Meeting including the details of the related party transactions is filed with CMA and mailed to shareholders along with Directors' report and audited accounts.

b) The Quarterly results of the company as per CMA format are prepared by the management for every quarter, reviewed by the Audit Committee, approved by the Board, uploaded on the website of Muscat Securities Market (MSM) and also published in the Newspapers as per the directives of CMA.

c) Important Board decisions are disclosed to the investors through MSM from time to time.

d) The Management Discussion and Analysis Report forms part of the Annual Report.

e) Unclaimed dividends are transferred to the Investor's Trust Fund account administered by the Capital Market Authority. Shareholders who have not received or not claimed their dividends can approach the Capital Market Authority for the same. A sum of RO 5,387.693 was transferred to the Trust Fund in November 2017 as required under the Trust Fund Regulation.

5. SHARE PRICE DATA

a) Details of share price movement during the year ended 31st December 2017 are furnished below:

Period (Month, 2017)	High	Low	Volume
January	0.800	0.800	0
February	0.796	0.796	106
March	0.748	0.656	101,702
April	0.652	0.590	275,069
May	0.590	0.590	0
June	0.590	0.590	3,400
July	0.580	0.580	4,000
August	0.570	0.570	4,500
September	0.640	0.556	1,214,764
October	0.576	0.548	102,150
November	0.540	0.540	500
December	0.588	0.548	38.699

MSM Industry Sector Index vs A'Saffa Foods SAOG in 2017.

b) Shareholders of the Company who own 5% or more of the Company's shares whether in their name or through a nominee account and the number of shares they hold are as follows:

Description	2017		2016	
	%	Number	%	Number
Zulal Investment Company	33.249	39,898,654	33.249	39,898,654
Gulf Investment Corporation	20.007	24,008,666	20.007	24,008,666
Al-Hosn Investment Company SAOC	13.242	15,890,000	13.242	15,890,000
Al Watanyiah National United Engineering & Contracting Co. LLC	10	11,999,999	10	11,999,999
Internal Security Service Pension Fund	6.665	7,997,560	6.665	7,997,560

6. MEASURING BOARD PERFORMANCE

In accordance with the Fourth Principle of the Corporate Governance of Public Shareholding Companies issued by the Capital Market Authority, the annual general assembly meeting held on March 29, 2017 approved the criteria for measuring the performance of the Board of Directors of the Company. Accordingly, an independent evaluator "Al Methaq Chartered Accountants" was appointed to measure the performance of the Board according to the approved criteria in the said meeting which was completed successfully during 2017 and no major exceptions were noted.

7. STATUTORY AUDITORS

The Shareholders of the Company had appointed M/s. Ernst & Young as the external Auditors of the company for the year ended 31 December 2017. A total fee to Statutory Auditors for year 2017 is RO 7,500/- in respect of Statutory Audit and Review of Corporate Governance Report.

Professional profile of Ernst & Young (EY): Statutory Auditors

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 6,700 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,500 partners and approximately 1,06,079 professionals. Globally, EY operates in more than 150 countries and employs 256,500 professionals in 728 offices. Please visit ey.com for more information about EY.

As per CMA regulations, the auditors of the company can hold office for a period of 4 consecutive years and the financial year 2017 was the third year.

8. INTERNAL AUDIT DEPARTMENT

The Company's Internal Audit Department to carry out activities according to the Internal Audit Charter approved by the Audit Committee.

Mr. Saleem Padmavathy Vasu is responsible for Internal Audit Department and holds the qualification Fellow Member of Institute of Charted Accountants (FCA) of India, having 31 years of experience in various fields of Finance and Internal Audit.

9. DETAILS OF NON-COMPLIANCE BY THE COMPANY

There are no instances of non-compliance by the Company by way of penalties, strictures imposed on the Company by Capital Market Authority/Muscat Securities Market or any statutory authority on any matter related to capital markets during the last year.

10. EXECUTIVE MANAGEMENT

The executive management consists of persons having wide relevant experience in the industry:

Dr. Nasser Zahir Al Maawali is the Chief Executive Officer with 39 years wide ranging experience in animal production encompassing planning and overseeing implementation of projects and programmes, conducting and supervising research projects and hand-on commercial production at the farm level.

Mr. Muhammad Rafique Chaudhry, Chief Financial Officer with 34 years diversified experience in strategic financial and Operation planning, designing corporate objectives and goals, monitoring project performance, performance analysis and corrective measures, financial and accounting activities of the project and business development.

Mr. Mohammed Suhail Said Al Shanfari, Deputy CEO Operations/Business Development with 23 years of extensive experience in the field of animal development, including research, planning and implementation of projects related to livestock.

Mr. Sidhartha Lenka, Head of the Marketing and Sales with extensive experience in Sales and Marketing in India as well as Eastern & Southern African countries, special expertise in brand building, setting distribution network, direct distribution, advertisement and promotion, sales planning and setting goals, target achievement.

Mr. Mohamed Ahmed Al Shanfari, Asst. CEO for Admin. Affairs with more than 44 years in the Public relation, Commercial activities, Human Resource and Administration.

11. ACKNOWLEDGEMENT BY BOARD OF DIRECTORS

The Board of Directors acknowledges their responsibility in preparing the financial statements in accordance with the International Standards on Accounting and the relevant rules of the Sultanate of Oman.

The Board of Directors, based on the review of Audit Committee, believe that the financial statements are prepared in accordance with applicable standards and rules.

The Board believes, based on the review of internal controls carried out by the Audit Committee, that the system of internal control is adequate to ensure compliance with laws and regulations.

Based on an examination of the internal audit work, discussion with management and scrutiny of previous management information, the audit committee have concluded that company's system of internal control have operated effectively during the year.

The Board has approved the budget of the Company for the year 2018 and, on the strength of the budget and consideration of the expected cash flow, consider that the Company will continue in operational existence for the foreseeable future.

Rashid Saif Mohammed Al Saadi
Chairman of the Board

AbdulAziz Mohammed Nasser AlNadabi
Chairman – Audit Committee

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'SAFFA FOODS SAOG

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements (the "financial statements") of A'Saffa Foods SAOG (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and separate financial position of the Company as at 31 December 2017 and their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

A'SAFFA FOODS SAOG (CONTINUED)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Allowance for impaired debts for consolidated and separate financial statements Trade receivables are significant to the consolidated and separate financial statements. The allowance for impaired debts against trade receivables requires the application of judgement and use of subjective assumptions by management as described in critical accounting estimates and judgements as set out in note 2.16 and 3.C to the financial statements. Given the judgment involved and subjective assumptions used by management, this was a key audit matter.	We evaluated management's assumptions and methods applied for calculating the allowance for impaired trade receivables by carrying out the following procedures: • Obtaining an update of the understanding of the process relating to the impairment of trade receivables. • Testing the underlying data used to determine the allowance for impaired trade receivables. • Further, we selected a sample of trade receivable balances impaired and understood the rationale behind management's judgements and assumptions. • Where the balances were overdue, we analysed the customer's historical payment patterns and tested whether any post year-end payments were received after the statement of financial position date. • Analysis of the ageing balance. • We independently re-calculated the provision for impairment of trade receivables, based on the company policies using relevant data and assumptions. Details regarding credit risk and the aging of trade receivables is set out in note 35 and note 19 of the financial statements. We also assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
A'SAFFA FOODS SAOG (CONTINUED)

Other information included in the Group's 2017 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2017 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'SAFFA FOODS SAOG (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF A'SAFFA FOODS SAOG (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 1974, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

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س ت: ١٢٢٤٠١٣
ص ب: ١٧٥٠ روي - ١١٢، سلطنة عمان
EY ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

Philip Stanton
Muscat
19 February 2018

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

		Parent Company		Group	
		2017	2016	**2017**	2016
	Notes	**RO**	RO	**RO**	RO
Revenue		**31,943,607**	30,556,601	**32,228,070**	30,670,270
Cost of sales	4	**(20,455,398)**	(19,363,018)	**(19,993,115)**	(18,925,778)
Gross profit		**11,488,209**	11,193,583	**12,234,955**	11,744,492
Selling and distribution expenses	5	**(4,979,891)**	(4,491,996)	**(4,635,505)**	(4,412,318)
General and administrative expenses	6	**(2,209,958)**	(1,853,727)	**(2,369,981)**	(2,122,166)
Other operating income	7	**11,908**	188,213	**13,891**	194,036
Operating profit		**4,310,268**	5,036,073	**5,243,360**	5,404,044
Finance income / (cost) – net	9	**208,041**	142,298	**(21,530)**	(67,116)
Impairment of available for sale financial assets	15	**(8,405)**	(43,924)	**(8,405)**	(43,924)
Share of loss from associates	16	**(49,022)**	(63,957)	**(49,022)**	(63,957)
Profit before tax		**4,460,882**	5,070,490	**5,164,403**	5,229,047
Taxation					
- Current tax	10	**(717,050)**	(625,081)	**(723,081)**	(625,081)
- Deferred tax	10	**(1,707)**	8,616	**(114,254)**	(29,293)
		(718,757)	(616,465)	**(837,335)**	(654,374)
Profit and total comprehensive income for the year		**3,742,125**	4,454,025	**4,327,068**	4,574,673
Basic earnings per share (RO)	11	**0.031**	0.037	**0.036**	0.038

STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	Parent Company 2017 RO	Parent Company 2016 RO	Group 2017 RO	Group 2016 RO
ASSETS					
Non-current assets					
Property, plant and equipment	12	**16,820,439**	17,904,512	**25,295,271**	26,765,727
Intangible assets	13	**183,518**	285,682	**237,032**	285,682
Investments in subsidiaries	14	**2,950,000**	2,950,000	**-**	-
Available for sale financial assets	15	**47,671**	56,076	**47,671**	56,076
Investment in associates	16	**2,599,512**	916,694	**2,599,512**	916,694
Term deposits	21	**4,500,000**	5,000,000	**4,500,000**	5,000,000
Total non-current assets		**27,101,140**	27,112,964	**32,679,486**	33,024,179
Current assets					
Inventories	17	**3,879,933**	4,069,766	**4,674,276**	4,686,248
Biological assets	18	**1,276,354**	1,236,668	**1,276,354**	1,236,668
Trade and other receivables	19	**12,931,853**	8,350,503	**12,244,811**	7,818,960
Cash and bank balances	20	**272,277**	240,099	**544,519**	296,945
Term deposits	21	**3,000,000**	6,500,000	**3,000,000**	6,500,000
Total current assets		**21,360,417**	20,397,036	**21,739,960**	20,538,821
TOTAL ASSETS		**48,461,557**	47,510,000	**54,419,446**	53,563,000
EQUITY AND LIABILITIES					
Equity					
Share capital	22	**12,000,000**	12,000,000	**12,000,000**	12,000,000
Legal reserves	23	**4,000,000**	4,000,000	**4,093,193**	4,000,000
Retained earnings		**24,517,993**	23,175,868	**25,255,940**	23,422,065
Total equity		**40,517,993**	39,175,868	**41,349,133**	39,422,065
LIABILITIES					
Non-current liabilities					
Borrowings	25	**360,009**	779,476	**2,160,009**	3,059,476
Deferred government grant	25	**89,991**	170,524	**89,991**	170,524
Finance lease liabilities	26	**-**	-	**1,142,760**	1,996,792
End of service benefits	27	**583,789**	506,564	**612,112**	526,550
Deferred taxation	28	**565,139**	563,432	**715,595**	601,341
Total non-current liabilities		**1,598,928**	2,019,996	**4,720,467**	6,354,683
Current liabilities					
Borrowings	25	**1,587,599**	1,209,284	**2,067,599**	1,329,284
Finance lease liabilities	26	**-**	-	**858,807**	819,051
Trade and other payables	29	**4,757,037**	5,104,852	**5,423,440**	5,637,917
Total current liabilities		**6,344,636**	6,314,136	**8,349,846**	7,786,252
TOTAL LIABILITIES		**7,943,564**	8,334,132	**13,070,313**	14,140,935
TOTAL EQUITY AND LIABILITIES		**48,461,557**	47,510,000	**54,419,446**	53,563,000
Net assets per share (RO)	30	**0.338**	0.326	**0.344**	0.329

The financial statements were authorised for issue in accordance with a resolution of the board of directors on 19 February 2018.

CHAIRMAN

DIRECTOR

STATEMENT OF CASH FLOWS
Year ended 31 December 2017

		Parent Company		Group	
		2017	2016	**2017**	2016
	Notes	**RO**	RO	**RO**	RO
OPERATING ACTIVITIES					
Cash generated from operations	33	**283,106**	5,109,095	**1,757,345**	6,466,566
Interest paid	9	**(67,395)**	(68,268)	**(296,966)**	(277,682)
Interest received	9	**275,436**	210,566	**275,436**	210,566
Net cash generated from operating activities		**491,147**	5,251,393	**1,735,815**	6,399,450
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	12	**(215,799)**	(1,100,645)	**(305,160)**	(3,291,118)
Purchase of intangible assets	13	**-**	-	**(5,635)**	-
Investment in associates	16	**(1,731,840)**	(916,004)	**(1,731,840)**	(916,004)
Proceeds from disposal of property, plant and equipment		**10,355**	40,550	**10,355**	40,550
Term deposits	21	**4,000,000**	(500,000)	**4,000,000**	(500,000)
Net cash generated from / (used in) investing activities		**2,062,716**	(2,476,099)	**1,967,720**	(4,666,572)
FINANCING ACTIVITIES					
Long term loans received		**-**	-	**-**	1,230,335
Finance lease repaid		**-**	-	**(814,276)**	(686,046)
Long term loans repaid		**(500,000)**	(650,752)	**(620,000)**	(650,752)
Dividend paid	22	**(2,400,000)**	(2,160,000)	**(2,400,000)**	(2,160,000)
Net cash used in financing activities		**(2,900,000)**	(2,810,752)	**(3,834,276)**	(2,266,463)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(346,137)**	(35,458)	**(130,741)**	(533,585)
Cash and cash equivalents at beginning of the year		**(469,185)**	(433,727)	**(412,339)**	121,246
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**(815,322)**	(469,185)	**(543,080)**	(412,339)
Cash and cash equivalents comprise of following:					
Bank overdrafts	25	**(1,087,599)**	(709,284)	**(1,087,599)**	(709,284)
Cash and bank balances	20	**272,277**	240,099	**544,519**	296,945
		(815,322)	(469,185)	**(543,080)**	(412,339)

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2017

		Share capital RO	Legal reserves RO	Retained earning RO	Total RO
Parent Company					
As at 1 January 2016		12,000,000	3,930,987	20,950,856	36,881,843
Profit and total comprehensive income for the year		-	-	4,454,025	4,454,025
Dividend paid	22c	-	-	(2,160,000)	(2,160,000)
Transfer to legal reserve	23	-	69,013	(69,013)	-
At 31 December 2016		12,000,000	4,000,000	23,175,868	39,175,868
Group (Note 1)					
As at 1 January 2016		12,000,000	3,949,729	21,057,663	37,007,392
Profit and total comprehensive income for the year		-	-	4,574,673	4,574,673
Dividend paid	22c	-	-	(2,160,000)	(2,160,000)
Transfer to legal reserve	23	-	50,271	(50,271)	-
At 31 December 2016		12,000,000	4,000,000	23,422,065	39,422,065
Parent Company					
As at 1 January 2017		**12,000,000**	**4,000,000**	**23,175,868**	**39,175,868**
Profit and total comprehensive income for the year		**-**	**-**	**3,742,125**	**3,742,125**
Dividend paid	22c	**-**	**-**	**(2,400,000)**	**(2,400,000)**
At 31 December 2017		**12,000,000**	**4,000,000**	**24,517,993**	**40,517,993**
Group (Note 1)					
As at 1 January 2017		**12,000,000**	**4,000,000**	**23,422,065**	**39,422,065**
Profit and total comprehensive income for the year		**-**	**-**	**4,327,068**	**4,327,068**
Dividend paid	22c	**-**	**-**	**(2,400,000)**	**(2,400,000)**
Transfer to legal reserve	23	**-**	**93,193**	**(93,193)**	**-**
At 31 December 2017		**12,000,000**	**4,093,193**	**25,255,940**	**41,349,133**

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

A'Saffa Foods SAOG ("the Company" or "Parent Company") is an Omani joint stock company registered in the Sultanate of Oman on 30 December 2001 under the commercial registration no. 2/16733/6. The Company commenced commercial operations on 1 July 2004. The Company is engaged in manufacturing and distribution of poultry meat.

On 25 May 2011, the Parent Company incorporated a company in Sultanate of Oman, A'Saffa Food Processing LLC ('A'Saffa Processing') with a registered share capital of RO 1,350,000. A'Saffa Processing registered in Sultanate of Oman as a limited liability company, is a wholly owned subsidiary of the Company. A'Saffa Processing is engaged in manufacturing and distribution of meat, vegetables and fish products and it started its operations in 2013.

On 17 September 2014, the Parent Company incorporated a company in Sultanate of Oman, A'Saffa Logistics LLC ('A'Saffa Logistics') with an initial registered share capital of RO 1,600,000. A'Saffa Logistics registered in Sultanate of Oman as a limited liability company, is a wholly owned subsidiary of the Company. A'Saffa Logistics is engaged in storage and transportation.

These consolidated financial statements comprise the Parent company and its subsidiaries (together referred to as the Group), the details of which are set out above. The separate financial statements represent the financial statements of the Parent company on a standalone basis. The consolidated and separate financial statements are collectively referred to as 'the financial statements'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

The financial statements ("the financial statements"/ "the financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the relevant requirements of the Commercial Companies Law of 1974, as amended and the Capital Market Authority.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment in associates and available for sale financial asset has been measured at fair value.

c) Functional currency

These financial statements are presented in Rial Omani, which is the Company's functional currency.

d) Standards, amendments and interpretation effective in 2017

For the year ended 31 December 2017, the Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2017.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle - 2014-2016
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The adoption of these standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods.

e) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

- Transfers of Investment Property — Amendments to IAS 40
- Annual Improvements 2014-2016 Cycle (issued in December 2016)
  - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
  - IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment exemptions for first-time adopters

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the Group, are not expected to have a material impact on the Group's and Company's and separate financial statements respectively.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective approach.

The Company has performed an assessment and concluded that the impact is not material as in majority of the Group's and Parent Company's contracts with customers, sale of good is generally expected to be the only performance obligation and accordingly, adoption of IFRS 15 is not expected to have any impact on the Group's and Parent Company's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

IFRS 16 Leases

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

For lessors, there is little change to the existing accounting in IAS 17 Leases. Group will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

2.1 Basis of preparation (continued)

e) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 16 Leases (continued)

In 2018, the Group and Parnet Company will continue to assess the potential effect of IFRS 16 on its and separate financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of and separate financial position and equity except for the effect of applying the classification and impairment requirements of IFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

(a) Basis of consolidation

The financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of results of associates' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(c) Investment in subsidiaries

Investment in subsidiaries in the Parent Company financial statements are carried at cost.

2.3 Revenue recognition

Revenue from the sale of goods is stated at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

2.4 Interest income and expense

Interest income and expense are accounted for on the accrual basis using an effective interest rate method.

2.5 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Minimum lease payment made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The property, plant and equipment acquired under finance leases are depreciated in accordance with the policy on property, plant and equipment as relevant to the applicable asset.

2.6 Foreign currency

Items included in the financial statements of the Group are measured using Rial Omani which is the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Rial Omani which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Income tax

Income tax on the results for the year comprises current tax.

Current tax recognised in the statement of comprehensive income is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which tax losses or temporary differences can be utilised. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is subsequently reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.8 Earning per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Directors' remuneration

The Directors' remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority.

The Annual General Meeting shall approve the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders. Such fees shall not exceed RO 200,000 in one year. The sitting fees for each Director shall not exceed RO 10,000 in one year.

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property, plant and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

Buildings	20 - 30 years
Motor vehicles	5 years
Bore wells	20 years
Plant and machinery	20 years
Furniture and fittings	3 years
Office equipment	6.5 years
Porta cabins	20 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts are recognised within 'other operating income' and are taken into account in determining operating profit.

Land is not depreciated as it is deemed to have an indefinite life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Property, plant and equipment (continued)

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Group's policy.

Interest costs on borrowings to finance the construction of the qualifying assets are capitalised, during the period that is required to complete and prepare the asset for its intended use.

2.11 Intangible assets

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Costs are amortised over their estimated useful life of five years.

2.12 Impairment

At each reporting date, the Group reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

2.13 Biological assets

Parent chicken is stated at cost less accumulated depreciation less any accumulated impairment losses. The estimated life of the parent chicken is approximately nine months from the month it starts laying eggs. The cost of the parent chickens, determined on the basis of monthly average expenditure, comprises purchase price of the day old chickens ("DOC") and all expenses incurred in bringing the DOCs to the farm from overseas, together with costs such as feed costs, incurred in rearing and maintaining the flock until the egg production commences. Purchased eggs which are for hatching, are stated at cost which comprises the purchase price and all expenses incurred in bringing the eggs to the farm from overseas. Hatching eggs produced by the parent chicken are stated at cost. The costs comprise the proportion of the costs incurred for rearing and maintaining the parent flock until the date of laying of the egg. Broiler chicken is stated at cost less any accumulated impairment losses. The cost of broiler chicken comprises a proportion of the cost of the egg produced by the parent chicken or purchased, and feed, vaccine and medicines consumed by the flock during the time of its breeding. Net realisable value is the price at which biological assets can be sold in the normal course of business after allowing for the costs of realisation.

2.14 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis and consists of the direct cost of goods and related direct expenses. The cost of finished goods includes an appropriate portion of direct labour and related production overheads. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for slow moving items.

2.15 Financial assets

The Group classifies its financial assets in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Available-for-sale financial assets

(i) Classification

Available-for-sale financial assets are non-derivatives and are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Management determines the appropriate classification of its investments at the time of the purchase.

(ii) Valuation

Investments are initially recognised at fair value (which includes transaction costs). Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the fair value reserve in the year in which they arise. When the available-for-sale financial assets are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investments.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Financial assets (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 2.16 and 2.17).

2.16 Trade and other receivables

Trade receivables are recognised initially at fair value, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the receivable, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income within 'general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the statement of comprehensive income.

2.17 Cash and cash equivalents

For the purposes of the statement of cash flows, all bank balances, including short-term deposits with a maturity of three months or less from the date of placement, and bank overdrafts are considered to be cash equivalents.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.19 End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendment and IAS-19 'Employee benefits' as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

2.20 Deferred Government grant

Interest subsidy is recognised in the statement of financial position initially as a deferred Government grant when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. This deferred Government grant is amortised over the life of the loans to which it relates on a systematic basis in the same periods in which the interest expense is incurred. Amortisation of the deferred Government grant is recognised in the statement of comprehensive income.

2.21 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Group.

2.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors ('Board') that makes strategic decisions.

2.24 Dividend distribution

The Board adopts a prudent dividend policy, which complies with regulatory requirements applicable in the Sultanate of Oman. Dividend shall be distributed in accordance with Group's Memorandum of Association and shall be subject to the approval of shareholders.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. Estimates are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Fair value of unquoted available-for-sale financial assets

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. Management uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. Where the market is not active or the securities are not listed, fair valuation is estimated based on valuation techniques.

(b) Valuation of biological assets

The valuation of biological assets requires the use of estimates by the management. Management uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(c) Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates (note 19).

(d) Inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

(e) Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of finalization of tax assessments of the Group. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(f) Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

4 COST OF SALES

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Cost of materials consumed	**14,508,325**	13,332,626	**12,226,524**	11,796,341
Less: Government subsidy	**(6,102)**	-	**(6,102)**	-
	14,502,223	13,332,626	**12,220,422**	11,796,341
Employee related costs (note 8)	**3,236,093**	3,066,454	**4,007,386**	3,653,032
Depreciation (note 12)	**1,104,546**	1,033,914	**1,486,057**	1,385,687
Fuel expenses	**1,031,133**	781,658	**1,140,462**	849,366
Amortisation	**30,649**	30,509	**42,293**	30,509
Other direct expenses	**550,754**	1,117,857	**1,096,495**	1,210,843
	20,455,398	19,363,018	**19,993,115**	18,925,778

In 2017, the Parent Company received a subsidiy at RO 6,102 (2016: nil) from the Government for certain raw materials consumed in the manufacture of poultry products. The subsidy is applicable for the period starting from 1 January 2017 to 31 December 2017.

5 SELLING AND DISTRIBUTION EXPENSES

	Parent Company		Group	
	2017	2016	2017	2016
	RO	RO	RO	RO
Employee related costs (note 8)	**1,544,221**	1,491,678	1,544,221	1,491,678
Rent and storage expenses	**1,169,310**	1,121,851	824,924	1,042,173
Transportation costs	**1,219,281**	967,342	1,219,281	967,342
Advertisement and sales promotion	**552,086**	511,305	552,086	511,305
Insurance	**118,692**	90,079	118,692	90,079
Communication	**85,599**	61,091	85,599	61,091
Depreciation (note 12)	**25,989**	24,326	25,989	24,326
Amortisation	**22,476**	22,374	22,476	22,374
Miscellaneous	**242,237**	201,950	242,237	201,950
	4,979,891	4,491,996	4,635,505	4,412,318

6 GENERAL AND ADMINSTRATIVE EXPENSES

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Employee related costs (note 8)	**1,122,462**	1,004,296	**1,324,918**	1,163,295
Depreciation (note 12)	**168,930**	158,130	**203,640**	198,557
Directors' remuneration (note 34d)	**140,000**	140,000	**140,000**	140,000
Rent	**139,320**	105,595	**9,108**	78,150
Contributions for social causes	**100,000**	100,000	**100,000**	100,000
Printing and stationery	**112,280**	66,920	**113,792**	68,350
Directors' meeting attendance fees (note 34d)	**51,100**	53,900	**56,600**	64,700
Amortisation	**49,039**	48,815	**49,039**	48,815
Business travel and meeting expenses	**49,907**	46,169	**50,107**	47,890
Communication	**18,119**	24,909	**18,119**	24,909
Repairs and maintenance	**24,794**	23,395	**24,794**	23,395
Professional and consultancy fees	**25,604**	11,691	**33,709**	17,145
Registration and renewals	**22,001**	11,553	**22,476**	13,176
Foreign exchange loss - Net	**55,103**	7,800	**57,237**	7,710
Vehicle expenses	**12,658**	6,803	**21,323**	14,826
Miscellaneous	**105,751**	65,774	**132,229**	83,994
Provision for doubtful debts (note 19)	**12,890**	(22,023)	**12,890**	27,254
	2,209,958	1,853,727	**2,369,981**	2,122,166

7 OTHER OPERATING INCOME

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Profit on disposal of property, plant and equipment	**9,948**	38,046	**9,948**	38,046
Consultancy charges	**-**	150,000	**-**	150,000
Miscellaneous	**1,960**	167	**3,943**	5,990
	11,908	188,213	**13,891**	194,036

8 EMPLOYEE RELATED COSTS

Salaries wages and related costs included under cost of sales, selling and distribution expenses and general and administrative expenses comprise:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Salaries, wages and other benefits	**5,549,197**	5,158,258	**6,452,967**	5,842,952
Leave salary	**181,000**	198,570	**225,648**	235,324
Air passage	**89,621**	125,197	**102,962**	139,630
End of service benefits (note 27)	**82,958**	80,403	**94,948**	90,099
	5,902,776	5,562,428	**6,876,525**	6,308,005

8 EMPLOYEE RELATED COSTS (continued)

Staff costs are included in the statement of comprehensive income as follows:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Cost of sales (note 4)	**3,236,093**	3,066,454	**4,007,386**	3,653,032
Selling and distribution expenses (note 5)	**1,544,221**	1,491,678	**1,544,221**	1,491,678
General and administrative expenses (note 6)	**1,122,462**	1,004,296	**1,324,918**	1,163,295
	5,902,776	5,562,428	**6,876,525**	6,308,005

9 FINANCE COSTS / (INCOME) - NET

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
a) Interest expenses:				
- on government soft loan	**(115,874)**	(150,952)	**(115,874)**	(150,952)
- on bank overdraft	**(19,221)**	(12,006)	**(20,654)**	(15,153)
	(135,095)	(162,958)	**(136,528)**	(166,105)
Financing cost on Islamic overdraft	**(12,834)**	(6,679)	**(12,916)**	(6,679)
Financing cost on Islamic finance lease	**-**	-	**(228,056)**	(206,267)
Government soft loan - release of grant (note 25)	**80,534**	101,369	**80,534**	101,369
Interest expenses	**(67,395)**	(68,268)	**(296,966)**	(277,682)
b) Interest Income:	**241,305**	185,498	**241,305**	185,498
Profit on deposits	**34,131**	25,068	**34,131**	25,068
Interest income on deposits	**275,436**	210,566	**275,436**	210,566
Interest income				
Finance costs / (income) – net	**208,041**	142,298	**(21,530)**	(67,116)

10 TAXATION

(a) The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. Accordingly each legal entity is taxable separately. The tax rate applicable to all taxable entities of the Group is 15% (2016 - 12%). For the purpose of determining the tax expense for the year, the accounting results of each individual legal entity has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense.

(b) Tax expenses for the year is as follows:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Current tax	**717,050**	625,081	**723,081**	625,081
Deferred tax (note 28)	**1,707**	(8,616)	**114,254**	29,293
	718,757	616,465	**837,335**	654,374

10 TAXATION (continued)

(c) The reconciliation of taxation on the accounting profit at the applicable rate of 15% and the taxation charge in the financial statements is as under:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Tax on book profit of	**669,132**	604,859	**774,660**	604,859
Other adjustment	**49,625**	11,606	**62,675**	49,515
	718,757	616,465	**837,335**	654,374

(d) The tax assessments of the Parent Company has been finalised till 2011. None of the tax assessment of the subsidiaries has been completed. The Management believes that additional tax liability if any, that may arise on the completion of the assessments for the unassessed tax years for the Parent Company and the subsidiaries will not be material to the financial position of the the Parent Company and Group at the end of the reporting period.

The deferred tax liability comprises the following types of temporary differences:

	Parent Company		Group (Note 1)	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Plant and equipment qualifying for accelerated tax relief	**578,029**	575,934	**740,847**	678,865
On carried forward of losses	**-**	-	**(12,362)**	(65,022)
Provision for bad debts	**(12,890)**	(12,502)	**(12,890)**	(12,502)
At 31 December	**565,139**	563,432	**715,595**	601,341

11 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Parent Company		Group (Note 1)	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Profit attributable to shareholders (RO)	**3,742,125**	4,454,025	**4,327,068**	4,574,673
Weighted average number of shares	**120,000,000**	120,000,000	**120,000,000**	120,000,000
Basic earnings per share (RO)	**0.031**	0.037	**0.036**	0.038

No figure for diluted earnings per share has been presented because the Parent Company and Group has not issued any instruments which would have an impact on earnings per share when exercised.

12 PROPERTY, PLANT AND EQUIPMENT

(a) The movement on property, plant and equipment during the year is set out on pages 60 to 63.
(b) Depreciation is allocated as follows:

	Parent Company		Group (Note 1)	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Cost of sales (note 4)	**1,104,546**	1,033,914	**1,486,057**	1,385,687
General and administrative expenses (note 6)	**168,930**	158,130	**203,640**	198,557
Selling and distribution expenses (note 5)	**25,989**	24,326	**25,989**	24,326
	1,299,465	1,216,370	**1,715,686**	1,608,570

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Buildings are constructed on land leased for an indefinite period from the Ministry of Housing, Electrical and Water (MHEW). Based on approval by Ministral Council during the year 2009, the rental charges for the year amounted to RO 60,425 (2016 - RO 584,767).

(d) In 2015, A'Saffa Processing entered into a sale and lease back arrangement with an Islamic Bank. A'Saffa Processing sold 84% of its building and 74.467% of plant and machinery to the bank and leased back the same, which has a carrying value of RO 3,422,050 (2016: RO 4,050,000). The associated liability against finance lease was recognised as detailed in note 26. These assets are jointly registered in the name of A'Saffa Processing and the bank.

(e) In 2016, Company obtained a loan from an Islamic bank for purchase of certain assets. The loan is secured against first commercial charge on building and equipment of RO 3,347,862 and RO 666,447 (2016: RO 3,467,156 and RO 696,556) respectively (note 25).

13 INTANGIBLE ASSETS

	Parent Company		Group (Note 1)	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Cost				
At 1 January	**510,819**	501,437	**510,819**	501,437
Addition for the year	**-**	9,382	**65,158**	9,382
At 31 December	**510,819**	510,819	**575,977**	510,819
Accumulated amortization				
At 1 January	**(225,137)**	(123,440)	**(225,137)**	(123,440)
Charge for the year	**(102,164)**	(101,697)	**(113,808)**	(101,697)
At 31 December	**(327,301)**	(225,137)	**(338,945)**	(225,137)
Net book amount				
At 31 December	**183,518**	285,682	**237,032**	285,682

Intangible assets include computer software system and are being amortised over the estimated useful life of 5 years.

14 INVESTMENT IN SUBSIDIARIES

			Parent Company	
	% holding	**Year of incorporation**	**2017**	2016
			RO	RO
A'Saffa Food Processing LLC ('A'Saffa Processing')	100%	2011	**1,350,000**	1,350,000
A'Saffa Logistics LLC ('A'Saffa Logistics')	100%	2014	**1,600,000**	1,600,000
			2,950,000	2,950,000

(a) Investments in subsidiaries have been set off against the share capital and reserves of the subsidiaries in consolidated financial statements.

(b The Board of Directors of the Parent Company considers that no impairment has arisen during the years 2017 and 2016 as the subsidiaries have orders on hand at the reporting date that will generate future cash flows and no specific indicators for impairment were identified.

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Unquoted local investment	**47,671**	56,076	**47,671**	56,076

(a) The Parent Company holds 100,000 shares of RO 1 each (2016: 100,000 shares of RO 1 each) in Al Najd Agricultural Development SAOC. During the year, the Company has valued the investment and booked a resulting impairment loss of RO 8,405 (2016 : RO 43,924).

(b) In the opinion of the management, the carrying value of the unquoted local investment is considered to be the fair value at the reporting date.

16 INVESTMENT IN ASSOCIATES

The Company has the following associates as at 31 December:
Parent Company / Group:

	2017		2016	
	%	**RO**	%	RO
A'Namaa Poultry Company SAOC	**20%**	**821,228**	20%	865,959
Osool Poultry SAOC	**20%**	**1,778,284**	20%	50,735
		2,599,512		916,694

Movement in investment in associates are as follows:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Opening balance	**916,694**	64,647	**916,694**	64,647
Additional investment	**1,731,840**	916,004	**1,731,840**	916,004
Share of losses from associate	**(49,022)**	(63,957)	**(49,022)**	(63,957)
	2,599,512	916,694	**2,599,512**	916,694

The following table illustrate the summarised information of the Company's investment in associates:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Share of the associate's statement of financial position:				
Current assets	**2,134,424**	958,248	**2,134,424**	958,248
Non-current assets	**613,239**	103,534	**613,239**	103,534
Current liabilities	**(57,040)**	(54,543)	**(57,040)**	(54,543)
Non-current liabilities	**(91,111)**	(90,545)	**(91,111)**	(90,545)
Net assets	**2,599,512**	916,694	**2,599,512**	916,694
Carrying value of investment	**2,599,512**	916,694	**2,599,512**	916,694
Share of loss from associates	**(49,022)**	(63,957)	**(49,022)**	(63,957)

17 INVENTORIES

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Raw materials and consumables	**2,083,398**	2,576,796	**2,713,924**	3,058,386
Finished products	**1,100,915**	878,523	**1,117,994**	884,947
Stores and spares	**695,620**	614,447	**842,358**	742,915
	3,879,933	4,069,766	**4,674,276**	4,686,248

The Company has made no write downs or provisions in the current year (2016 - RO Nil).

18 BIOLOGICAL ASSETS

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Mature biological assets (Broiler birds)	**647,220**	703,424	**647,220**	703,424
Immature biological assets (Parent day old chicks)	**450,615**	416,725	**450,615**	416,725
Hatchable eggs	**178,519**	116,519	**178,519**	116,519
	1,276,354	1,236,668	**1,276,354**	1,236,668

At 31 December 2017, 1,559,566 Nos. broiler birds (2016 - 1,703,206 Nos. broiler birds) and 210,230 Nos. chicks (2016 - 157,351 Nos. chicks) were forming part of biological assets.

19 TRADE AND OTHER RECEIVABLES

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Trade receivables	**8,836,013**	6,709,463	**9,001,081**	6,802,711
Less: provision for doubtful debts	**(98,821)**	(104,181)	**(148,098)**	(153,458)
	8,737,192	6,605,282	**8,852,983**	6,649,253
Due from a related party (note 34)	**1,037,444**	833,304	**150,565**	179,955
Advance to staff and suppliers	**2,681,400**	551,489	**2,743,183**	580,578
Prepayments	**70,954**	148,561	**93,216**	197,306
Other receivables	**404,863**	211,867	**404,864**	211,868
	12,931,853	8,350,503	**12,244,811**	7,818,960

(a) As of 31 December 2017, trade receivables of RO 8,477,812 (2016 - RO 6,384,689) were neither past due nor impaired.

19 TRADE AND OTHER RECEIVABLES (continued)

(b) As of 31 December 2017, trade receivables of RO 259,380 (2016 - RO 220,593) were past due but not impaired. These relate independent customers for whom there is no recent history of default. The ageing analysis of these past due trade receivables is as follows:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Debts due between 4 months to 6 months	**120,681**	57,394	**236,472**	57,394
Debts due more than a year	**138,699**	163,199	**138,699**	212,476
	259,380	220,593	**375,171**	269,870

As of 31 December 2017, trade receivables of RO 98,821 (2016 - RO 104,181) were impaired and fully provided for. The individually impaired receivables mainly relate to certain large retailers and wholesalers.

(c) Movement in the provision for doubtful debts against trade receivables is as follows:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
At 1 January	**104,181**	131,761	**153,458**	131,761
(Writte back)/charge for the year	**12,890**	(22,023)	**12,890**	27,254
Written off during the year	**(18,250)**	(5,557)	**(18,250)**	(5,557)
At 31 December	**98,821**	104,181	**148,098**	153,458

(d) Other classes with in trade and other receivables do not contain impaired assets.

(e) The net carrying amounts of the Group's trade receivables are denominated in the following currencies:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Rial Omani	**6,617,817**	5,506,959	**6,782,885**	5,600,207
Qatari Rial	**1,658,421**	775,010	**1,658,421**	775,010
UAE Dirhams	**245,869**	333,227	**245,869**	333,227
Bahraini Dinar	**313,906**	94,267	**313,906**	94,267
	8,836,013	6,709,463	**9,001,081**	6,802,711

(f) The fair values of trade and other receivables are assumed to be the same as their carrying amounts above.

(g) The company does not hold any collateral as security.

20 CASH AND BANK BALANCES

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Cash on hand	**84,396**	73,313	**85,996**	76,213
Cash at bank:				
- Call deposit	**-**	3,141	**-**	3,141
- Current accounts	**187,881**	163,645	**458,523**	217,591
	272,277	240,099	**544,519**	296,945

(a) The call deposit is denominated in Omani Rial and is placed with a commercial bank at an interest rate of nil (2016 – 0.1%) per annum and has a maturity of less than three months from the date of placement.

21 TERM DEPOSITS

	Parent Company		Group	
	2017	2016	2017	2016
	RO	RO	RO	RO
Non-current:				
Term deposit (see (a) below)	**4,500,000**	5,000,000	**4,500,000**	5,000,000
Current:				
Term deposits (see (b) below)	**3,000,000**	6,500,000	**3,000,000**	6,500,000

(a) Long term deposit is denominated in Omani Rial and is placed with an Islamic bank at profit rate of 3% per annum (2016: 3%) and will mature in September 2019.

(b) Short term deposits are denominated in Omani Rial and are placed with an Islamic bank at profit rate ranging between 1.5% to 4% per annum (2016 - 1.5% to 4%) and have maturity of less than one year from the reporting date.

22 SHARE CAPITAL

(a) The authorised share capital comprises of 200,000,000 (2016: 200,000,000) ordinary shares of 100 baisa (2016: 100 baisa) each and the issued share capital comprises 120,000,000 (2016 - 120,000,000) fully paid up shares of 100 baisa each.

(b The shareholders of the Company who own 6% or more of the Company's shares and the number of shares held by them are set out below:

	2017		2016	
	Number of shares	% of Holding	Number of shares	% of Holding
Zulal Investment Company	**39,898,654**	**33.25%**	39,898,654	33.25%
Gulf Investment Corporation	**24,008,666**	**20.07%**	24,008,666	20.07%
Al Hosn Investment SAOC	**15,890,000**	**13.24%**	15,890,000	13.24%
Al Wataniyah National United Engineering & Contracting Co. LLC	**11,999,999**	**10.00%**	11,999,999	10.00%
Internal Security Service Pension Fund	**7,997,560**	**6.67%**	7,997,560	6.67%

(c) During the year, a cash dividend of 20 baisas (2016: 18 baisas) per share amounting to RO 2,400,000 was declared and paid (2016 - RO 2,160,000).

23 LEGAL RESERVE

In accordance with the Commercial Companies Law of Oman 1974, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid up share capital. This reserve is not available for distribution.

24 PROPOSED DIVIDEND

The Board of Directors, at their meeting held on 19 February 2018 proposed a cash dividend of 20 baisas per share (2016: cash dividend of 20 baisas per share) totalling to RO 2,400,000 (2016: RO 2,400,000) which is subject to the approval of shareholders at the forthcoming Annual General Meeting.

25 BORROWINGS

Non-current:

	Parent Company		Group (Note 1)	
	2017	2016	**2017**	2016
Term loans from commercial banks:	**RO**	RO	**RO**	RO
Term loan 1 (a)	**-**	-	**2,280,000**	2,400,000
Government soft loan (b)	**950,000**	1,450,000	**950,000**	1,450,000
	950,000	1,450,000	**3,230,000**	3,850,000
Less: current portion of term loans included under current borrowings	**(500,000)**	(500,000)	**(980,000)**	(620,000)
Less: government grant included on the statement of financial position	**(89,991)**	(170,524)	**(89,991)**	(170,524)
	360,009	779,476	**2,160,009**	3,059,476

Current:

	Parent Company		Group (Note 1)	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Current portion of long term loans	**500,000**	500,000	**980,000**	620,000
Bank overdrafts (see e below)	**1,087,599**	709,284	**1,087,599**	709,284
	1,587,599	1,209,284	**2,067,599**	1,329,284

(a) Term loan 1 has been obtained by the A'saffa Logistics LLC and is denominated in Omani Rial and was availed in 2015 from a local islamic bank. The loan is subject to profit rate of 5.25% (2016: 3.50%) per annum. It is repayable in twenty quarterly installments of RO 120,000 each commencing from October 2017. The loan is secured against first commercial charge on building and equipment (note 12). The facility agreement with the bank contains certain covenants pertaining to maintaining current ratio, debt coverage ratio and leverage ratio. At 31 December 2017, the Company was not in compliance with the current ratio covenant and has informed the breach of covenant to the lender. The bank has agreed to waive the minimum current ratio covenant for the financial year 2017. Accordingly, the outstanding balance of the term loan has not been reclassified to current liabilities.

(b) The Government soft loan was arranged through Oman Arab Bank SAOC acting as an agent for the Government of the Sultanate of Oman. The loan carries interest of 3% per annum (net of subsidy) (2016 - 3% per annum) and is secured against a guarantee from the Government of the Sultanate of Oman to the commercial bank. The Government soft loan is secured by a first ranking legal mortgage over all present and future property, plant and equipment of the Parent Company. The Government soft loan balance is repayable in annual instalments of RO 500,000 per annum with the final instalment of RO 450,000 due in 2019.

(c) The loan from the Government of Sultanate of Oman is carried at the fair value of the consideration received. The fair value of the consideration received is a sum total of all future cash payments discounted using the borrowing rate of 9% (2016 - 9%) applicable to similar loans. The Government soft loans are recognised initially at their fair values, which have been determined by the management using the effective interest rate method. The subsidy on Government soft loan is amortised on a systematic basis in the same periods in which the loans are repaid and amounted to RO 80,534 for the year (2016 - RO 101,369) (note 9).

(d) The overdraft is repayable on demand and therefore the carrying amounts approximate their fair values. Bank overdrafts are secured by a lien over a term deposit amounting to RO 2,000,000 (2016 - RO 2,000,000), assignment of certain accounts receivable and carries interest / profit ranging from 0.4% to 0.5% (2016 - 0.4% to 0.5%) per annum above short term deposit rate / wakala deposit rate. Bank borrowings are subject to renegotiation with the banks upon renewal of the facilities, which generally takes place on an annual basis.

25 BORROWINGS (continued)

(f) The maturity profile of the non-current portion of term loans and deferred government grant based on the remaining period to maturity from the reporting date is as under:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Between 2 and 5 years	**450,000**	950,000	**2,250,000**	2,870,000
More than 5 years	**-**	-	**-**	360,000
	450,000	950,000	**2,250,000**	3,230,000

26 FINANCE LEASE LIABILITIES

Assets acquired under finance lease are reflected in the statement of financial position at their original cost less accumulated depreciation. The present value of finance lease liabilities at 31 December 2017 and 2016 in respect of future years is as follows:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Finance lease liabilities	**-**	-	**2,061,286**	3,056,525
Finance charges relating to future periods	**-**	-	**(59,719)**	(240,682)
	-	-	**2,001,567**	2,815,843
Amount falling due:				
Within one year	**-**	-	**858,807**	819,051
After one year but within four years	**-**	-	**1,142,760**	1,996,792
	-	-	**2,001,567**	2,815,843

(a) The lease liability carries a profit at rate of 3.6% (2016: 3.6%) per annum and is repayable in twenty quarterly installments including profit of RO 223,096 each commencing from 2015. Amounts payable within one year of the reporting date are classified as current liabilities. The leased assets are jointly registered in the name of the company and the lessor.

(b) The interest / financing cost on lease finance for the year of RO 228,056 is included in finance costs (2016 : RO 206,267 (note 9).

27 END OF SERVICE BENEFITS

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
At 1 January	**506,564**	435,835	**526,550**	447,902
Charge for the year (note 8)	**82,958**	80,403	**94,948**	90,099
Paid during the year	**(5,733)**	(9,674)	**(9,386)**	(11,451)
At 31 December	**583,789**	506,564	**612,112**	526,550

28 DEFERRED TAXATION

Deferred tax asset / (liability) and the deferred tax credit / (charge) in the income statement is attributable to the following items:

Parent Company	1 January 2017	income statement	31 December 2017
	RO	RO	RO
Deferred tax liability			
Surplus of capital allowance over depreciation	**563,432**	**1,707**	**565,139**

	1 January 2016	(Credit) / charge to income statement	31 December 2016
Deferred tax liability	RO	RO	RO
Surplus of capital allowance over depreciation	572,048	(8,616)	563,432

Group	1 January 2017	(Credit) / charge to income statement	31 December 2017
Deferred tax liability	RO	RO	RO
Surplus of capital allowance over depreciation	**601,341**	**114,254**	**715,595**

	1 January 2016	(Credit) / charge to income statement	31 December 2016
Deferred tax liability	RO	RO	RO
Surplus of capital allowance over depreciation	572,048	29,293	601,341

29 TRADE AND OTHER PAYABLES

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Trade payables	**1,323,456**	1,638,699	**1,804,100**	1,998,277
Accruals	**937,381**	619,871	**955,698**	779,267
Tax payable (note 10)	**717,050**	630,747	**723,081**	630,747
Other payables	**1,734,753**	2,163,685	**1,896,163**	2,163,685
Advances from customers	**27,246**	13,407	**27,246**	13,407
Accrued interest	**415**	415	**415**	415
Retentions payable	**16,736**	38,028	**16,737**	52,119
	4,757,037	5,104,852	**5,423,440**	5,637,917

30 NET ASSETS PER SHARE

Net assets per share are calculated by dividing the net assets attributable to shareholders of the Parent Company and the Group at the year end by the number of shares outstanding at the year end as follows:

	Parent Company		Group	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Net assets (RO)	**40,517,993**	39,175,868	**41,349,133**	39,422,065
Number of shares at 31 December	**120,000,000**	120,000,000	**120,000,000**	120,000,000
Net assets per share (RO)	**0.338**	0.326	**0.344**	0.329

31 COMMITMENTS

(a) Purchase commitments
At 31 December 2017, the Parent Company and Group had purchase commitments amounting to RO 2,000,439 (2016: RO 2,322,184) mainly relating to purchase of raw material.

(b) Capital commitments
At 31 December 2017, the Parent Company and the Group had capital commitments amounting to RO 3,006,404 (2016: RO 11,829).

(c) Other commitments
At the end of the reporting period, the Parent Company's share in the uncalled share capital of available-for-sale financial asset amounted to RO 13,121,160 (2016: RO 14,853,000).

32 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Parent Company

31 December 2017	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RO	**RO**	**RO**
Assets as per statement of financial position			
Available-for-sale financial assets	**-**	**47,671**	**47,671**
Trade and other receivables (excluding prepayments and advances to staff, suppliers and capital creditors)	**10,179,499**	**-**	**10,179,499**
Term deposits	**7,500,000**	**-**	**7,500,000**
Cash and cash equivalents	**272,277**	**-**	**272,277**
31 December 2017	**17,951,776**	**47,671**	**17,999,447**

	Total financial liabilities
	RO
Liabilities as per statement of financial position	
Borrowings	**1,947,608**
Trade and other payables (excluding accrued expenses and tax payable)	**3,102,606**
	5,050,214

32 FINANCIAL INSTRUMENTS (continued)

(a) Financial instruments by category (continued)

Parent Company

31 December 2016	Loans and receivables	Available-for-sale financial assets	Total
	RO	RO	RO
Assets as per statement of financial position			
Available-for-sale financial assets	-	56,076	56,076
Trade and other receivables (excluding prepayments and advances to staff, suppliers and capital creditors)	7,650,453	-	7,650,453
Term deposits	11,500,000	-	11,500,000
Cash and cash equivalents	240,099	-	240,099
31 December 2016	19,390,552	56,076	19,446,628

	Total financial liabilities
	RO
Liabilities as per statement of financial position	
Borrowings	1,988,760
Trade and other payables (excluding accrued expenses and tax payable)	3,854,234
	5,842,994

Group

31 December 2017	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RO	**RO**	**RO**
Assets as per statement of financial position			
Available-for-sale financial assets	**-**	**47,671**	**47,671**
Trade and other receivables (excluding prepayments and advances to staff, suppliers and capital creditors)	**9,408,412**	**-**	**9,408,412**
Term deposits	**7,500,000**	**-**	**7,500,000**
Cash and cash equivalents	**544,519**	**-**	**544,519**
31 December 2017	**17,452,931**	**47,671**	**17,500,602**

	Total financial liabilities
	RO
Liabilities as per statement of financial position	
Borrowings	**4,227,608**
Finance lease liabilities	**2,001,567**
Trade and other payables (excluding accrued expenses and tax payable)	**3,744,661**
	9,973,836

32 FINANCIAL INSTRUMENTS (continued)

Group

31 December 2016	Loans and receivables RO	Available-for-sale financial assets RO	Total RO
Assets as per statement of financial position			
Available-for-sale financial assets	-	56,076	56,076
Trade and other receivables (excluding prepayments and advances to staff, suppliers and capital creditors)	7,041,076	-	7,041,076
Term deposits	11,500,000	-	11,500,000
Cash and cash equivalents	296,945	-	296,945
31 December 2016	18,838,021	56,076	18,894,097

	Total financial liabilities RO
Liabilities as per statement of financial position	
Borrowings	4,388,760
Finance lease liabilities	2,815,843
Trade and other payables (excluding accrued expenses and tax payable)	4,227,903
	11,432,506

(b) Credit quality of financial assets

As per the credit policy of the Group, customers are extended a credit period of up to 3 months in the normal course of business. The credit quality of financial assets is determined by the customers' history of meeting commitments and management's trade experience with them. External ratings are generally not available in the environment in which the entity is operating.

	Parent Company		Group (Note 1)	
Trade debtors	**2017**	2016	**2017**	2016
Counterparties without external credit rating:	**RO**	RO	**RO**	RO
Up to 3 months	**8,303,773**	6,422,830	**8,468,841**	6,516,078
Due above 3 months	**532,240**	286,633	**532,240**	286,633
	8,836,013	6,709,463	**9,001,081**	6,802,711

Cash at bank and term deposits

	Parent Company		Group (Note 1)	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
P-1	**-**	4,138,311	**-**	4,141,342
P-2	**24,699**	7,548,544	**24,699**	7,581,772
Not rated	**7,747,578**	-	**8,019,820**	-
	7,772,277	11,686,855	**8,044,519**	11,723,114

The rest of the statement of financial position item 'cash and cash equivalents' is cash in hand.

33 CASH GENERATED FROM OPERATIONS

	Parent Company		Group (Note 1)	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Operating activities				
Profit before taxation	**4,460,882**	5,070,490	**5,164,403**	5,229,047
Adjustment for:				
Depreciation	**1,299,465**	1,216,369	**1,715,686**	1,608,570
Amortisation	**102,164**	101,697	**113,808**	101,698
Writte back/provision for doubtful debts	**12,890**	(22,023)	**12,890**	27,254
Interest income	**(18,250)**	(5,557)	**(18,250)**	(5,557)
Interest expense	**(275,436)**	(210,566)	**(275,436)**	(210,566)
Profit on disposal of property, plant and equipment	**(9,948)**	(38,046)	**(9,948)**	(38,046)
Impairment of available for sale financial assets	**8,405**	43,924	**8,405**	43,924
Share of loss from associate	**49,022**	63,957	**49,022**	63,957
Asset write-off	**-**	-	**-**	37,540
End of service benefits	**82,958**	80,403	**94,948**	90,099
	5,779,547	6,368,916	**7,152,494**	7,225,602
Income tax paid	**(630,747)**	(616,465)	**(630,747)**	(654,374)
Payment of end of service benefits	**(5,733)**	(9,674)	**(9,386)**	(11,451)
Working capital changes:				
Inventories and biological assets	**150,147**	(562,316)	**(27,714)**	(550,043)
Trade and other receivables	**(4,575,990)**	(951,113)	**(4,420,491)**	(541,162)
Trade and other payables	**(434,118)**	879,747	**(306,811)**	997,994
Cash generated from operations	**283,106**	5,109,095	**1,757,345**	6,466,566

34 RELATED PARTIES

Related parties comprise the shareholders, directors, associate company, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties).

The Parent Company and Group maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which the management consider to be comparable with those adopted for arm's length transactions with third parties.

During the year the Parent Company and Group entered into transactions with related parties in the normal course of business. The nature of significant related party transactions and the amounts involved were as follows:

34 RELATED PARTIES (continued)

a) The following transactions were carried out with related parties:

	Parent Company		Group (Note 1)	
	2017	2016	2017	2016
	RO	RO	RO	RO
Purchase of goods and services				
- Subsidiary - net	**4,183,991**	2,885,174	**-**	-
Sales of goods				
- Subsidiary - net	**350,391**	266,847	**-**	-
Consultancy fees				
- Associates	**-**	150,000	**-**	150,000
Expenses recharged				
- Subsidiary	**463,885**	411,168	**-**	-
- Associates	**-**	29,388	**-**	29,388
- other related parties	**3,235**	-	**3,235**	-
	467,120	440,556	**3,235**	29,388

(b) Year end balances arising from purchases of goods and services are as follows:

	Parent Company		Group (Note 1)	
	2017	2016	2017	2016
	RO	RO	RO	RO
Receivable from:				
- Subsidiaries	**886,879**	653,349	**-**	-
- Other related parties	**150,565**	179,955	**150,565**	179,955
	1,037,444	833,304	**150,565**	179,955

(c) The key management personnel compensation for the year comprises:

	Parent Company		Group (Note 1)	
	2017	2016	2017	2016
	RO	RO	RO	RO
Short term employment benefits	**331,735**	368,694	**331,735**	368,694
End of service benefits and social security costs	**18,368**	15,554	**18,368**	15,554
	350,103	384,248	**350,103**	384,248

(d) The directors' remuneration for the year comprises:

	Parent Company		Group (Note 1)	
	2017	2016	2017	2016
	RO	RO	RO	RO
Directors' remuneration (note 6)	**140,000**	140,000	**140,000**	140,000
Directors' meeting attendance fees (note 6)	**51,100**	53,900	**56,600**	64,700
Directors' travel and related expenses	**19,905**	23,402	**19,905**	24,002
	211,005	217,302	**216,505**	228,702

35 FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including effects of changes in; market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management is carried out by the management under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollars, UAE Dirham, Qatari Rial and Bahraini Dinar. As the US Dollar and UAE Dirham are pegged to Rial Omani. Exposure arising on outstanding receivables in Qatari riyal and Bahraini Dinar amounting to RO 19,723 (2016: 8,693), on the pre tax profits arising out of exchange fluctuations.

(ii) Interest rate risk

Interest rate risk arises from the possibility of changes in interest rates and mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period.

The Group's interest rate risk arises from assets such as short term deposits. The Group also has interest bearing liabilities comprising of term loans from commercial banks and a related party and finance lease liabilities. These assets and liabilities are exposed to changes in market interest rates.

"Deposits, loans and finance lease liabilities at fixed rates expose the Group to fair value interest rate risk. The Group analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Group.

As loan from a related party, deposits and finance lease liabilities are at fixed interest rates, therefore management believes that there is no significant impact on the interest expense or interest income recognised. If the interest rate were to shift by 1% on loans from commercial bank, there would be a maximum increase or decrease in the interest charge of RO 26,274 (2016: RO 52,158).

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from short term deposits, cash and cash equivalents and credit exposures to customers through outstanding debtors.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Details of the Parent Company's and Group's concentration of credit risk are disclosed in note 19. This represents amount receivable from hypermarkets from whom there is no past history of default and the Group enjoys a long standing relationship.

The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. For customers where there is no independent rating agency established in the country, the credit control department comprising of senior management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. All export customers' risks are either covered by letters of credits, or by way of a bank guarantees.

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 Financial risk factors (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date for the Group and the Parent Company by geographical region is as follows:

	Parent Company		Group (Note 1)	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Local customers	**6,617,817**	5,506,959	**6,782,885**	5,600,207
Foreign customers	**2,218,196**	1,202,504	**2,218,196**	1,202,504
	8,836,013	6,709,463	**9,001,081**	6,802,711

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Group deals with local and foreign reputed banks and does not expect any losses from non-performance by these counterparties.

Credit risk on receivables is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes provisions for balances whose recoverability is in doubt.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In accordance with prudent risk management, the members aim to maintain sufficient cash and an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash.

The table below analyses the Group's financial liabilities into the relevant maturity borrowings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

Parent Company

At 31 December 2017	**Carrying amount**	**Less than one year**	**Between two and five years**	**More than five years**
	RO	**RO**	**RO**	**RO**
Borrowings (including government grant)	**2,037,599**	**1,587,599**	**450,000**	**-**
Trade and other payables (excluding tax payable)	**4,039,987**	**4,039,987**	**-**	**-**
	6,077,586	**5,627,586**	**450,000**	**-**

Parent Company

At 31 December 2016	Carrying amount	Less than one year	Between two and five years	More than five years
	RO	RO	RO	RO
Borrowings (including government grant)	2,159,284	1,209,284	950,000	-
Trade and other payables (excluding tax payable)	4,474,105	4,474,105	-	-
	6,633,389	5,683,389	950,000	-

35 FINANCIAL RISK MANAGEMENT (continued)

35.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Group

At 31 December 2017	**Carrying amount RO**	**Less than one year RO**	**Between two and five years RO**	**More than five years RO**
Borrowings (including government grant)	**4,317,599**	**2,067,599**	**2,250,000**	**-**
Finance lease liabilities	**2,001,567**	**858,807**	**1,142,760**	**-**
Trade and other payables (excluding tax payable)	**4,700,359**	**4,700,359**	**-**	**-**
	11,019,525	**7,626,765**	**3,392,760**	**-**

Group

At 31 December 2016	Carrying amount RO	Less than one year RO	Between two and five years RO	More than five years RO
Borrowings (including government grant)	4,559,284	1,329,284	2,870,000	360,000
Trade and other payables (excluding tax payable)	2,815,843	819,051	1,996,792	-
	7,375,127	2,148,335	4,866,792	360,000

35.2 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Management is confident of achieving profitability by enhancing top line growth and continued prudent cost management in future.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalents. Total capital employed is calculated as 'equity' as shown in the statement of financial position plus net debt. The gearing ratios at 31 December was as follows:

	Parent Company		**Group (Note 1)**	
	2017 RO	2016 RO	**2017 RO**	2016 RO
Total debt (including government grant and finance lease liabilities)	**2,037,599**	2,159,284	**6,319,166**	7,375,127
Less: cash and cash equivalents	**(3,272,277)**	(6,740,099)	**(3,544,519)**	(6,796,945)
Net debt	**(1,234,678)**	(4,580,815)	**2,774,647**	578,182
Total equity	**40,517,993**	39,175,868	**41,349,133**	39,422,065
Total capital employed	**39,283,315**	34,595,053	**44,123,780**	40,000,247
Gearing ratio	**(3%)**	(13%)	**6%**	1%

35 FINANCIAL RISK MANAGEMENT (continued)

35.3 Fair value estimation

All the financial assets and liabilities of the Parent Company and group except for the available-for-sale financial assets are carried at amortized cost. For available-for-sale financial assets, where quoted market prices are available, are included in Level-1. The fair values of derivatives, for which there are no quoted market values available are determined by using entity specific estimates and, accordingly, are included in the Level - 2.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 3 - Inputs for the assets that are not based on observable market data (that is, unobservable inputs).

The following table presents the fair values of available-for-sale financial assets:

Parent Company and Group

At 31 December 2017	**Level 3**	**Total**
	RO	**RO**
Available-for-sale financial assets	**47,671**	**47,671**

At 31 December 2016	Level 3	Total
	RO	RO
Available-for-sale financial assets	56,076	56,076

36 SEGMENT REPORTING

Operating segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board considers the business from a group level as the group is principally engaged in one segment which is manufacturing and distribution of poultry meat. The Board also considers the geographical segments. The directors review monthly analysis of these geographical segments by monitoring volume and value and the related receivables. As the directors effectively look at only one group level segment, all relevant details are as set out in the statement of comprehensive income and statement of financial position. The geographical distribution of revenue and receivables, based on the reports reviewed by the directors are set out as follows:

Geographical segments

The geographical analysis relating to the primary segment based on the location of the Group's customers is as follows:

	Sales			
	Parent Company		**Group**	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Local	**26,036,025**	25,824,811	**26,320,488**	25,916,700
GCC countries	**5,907,582**	4,557,583	**5,907,582**	4,579,363
Others	**-**	174,207	**-**	174,207
	31,943,607	30,556,601	**32,228,070**	30,670,270

	Trade receivables			
	Parent Company		**Group**	
	2017	2016	**2017**	2016
	RO	RO	**RO**	RO
Local	6,617,817	5,506,959	6,782,885	5,600,207
GCC countries	2,218,196	1,202,504	2,218,196	1,202,504
	8,836,013	6,709,463	9,001,081	6,802,711

The Group does not maintain separate segmental costing and operational results for different regions.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Freehold land RO	Buildings RO	Motor vehicles RO	Bore Wells RO	Plant and machinery RO	Furniture and fittings RO	Office equipment RO	Porta cabins RO	Capital work-in-progress RO	Total RO
Cost										
At 1 January 2017	575,868	13,381,497	856,924	271,232	12,010,874	277,588	399,263	205,226	887,049	28,865,521
Additions	-	39,380	54,498	52,343	26,125	4,190	8,131	8,400	22,732	215,799
Disposals	-	-	(103,051)	-	-	-	-	-	-	(103,051)
Transfer	-	-	-	-	887,049	-	-	-	(887,049)	-
At 31 December 2017	575,868	13,420,877	808,371	323,575	12,924,048	281,778	407,394	213,626	22,732	28,978,269
Accumulated depreciation										
At 1 January 2017	-	3,682,738	663,633	117,695	5,926,473	183,871	273,752	112,847	-	10,961,009
Charge for the year	-	446,387	91,833	15,214	640,083	37,862	56,917	11,169	-	1,299,465
Disposals	-	-	(102,644)	-	-	-	-	-	-	(102,644)
At 31 December 2017	-	4,129,125	652,822	132,909	6,566,556	221,733	330,669	124,016	-	12,157,830
Net book amounts										
At 31 December 2017	575,868	9,291,752	155,549	190,666	6,357,492	60,045	76,725	89,610	22,732	16,820,439

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Parent	Freehold land RO	Buildings RO	Motor vehicles RO	Bore Wells RO	Plant and machinery RO	Furniture and fittings RO	Office equipment RO	Porta cabins RO	Capital work-in-progress RO	Total RO
Cost										
At 1 January 2016	575,868	12,438,232	908,519	271,232	11,921,031	168,025	328,929	205,226	1,080,667	27,897,729
Additions	-	140,570	68,736	-	89,843	109,563	70,334	-	612,217	1,091,263
Disposals	-	(3,140)	(120,331)	-	-	-	-	-	-	(123,471)
Transfer	-	805,835	-	-	-	-	-	-	(805,835)	-
At 31 December 2016	575,868	13,381,497	856,924	271,232	12,010,874	277,588	399,263	205,226	887,049	28,865,521
Accumulated depreciation										
At 1 January 2016	-	3,255,995	685,949	104,133	5,325,946	165,256	226,080	102,246	-	9,865,605
Charge for the year	-	427,378	98,015	13,562	600,527	18,615	47,672	10,601	-	1,216,370
Disposals	-	(635)	(120,331)	-	-	-	-	-	-	(120,966)
At 31 December 2016	-	3,682,738	663,633	117,695	5,926,473	183,871	273,752	112,847	-	10,961,009
Net book amounts										
At 31 December 2016	575,868	9,698,759	193,291	153,537	6,084,401	93,717	125,511	92,379	887,049	17,904,512

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land	Buildings (including leased assets)	Motor vehicles	Bore Wells	Plant and machinery (including leased assets)	Furniture and fittings	Office equipment	Porta cabins	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost										
At 1 January 2017	575,868	19,547,913	1,047,944	271,232	15,380,263	302,593	420,656	205,226	946,572	38,698,267
Additions	-	43,140	54,498	52,343	66,115	6,910	12,382	8,400	61,372	305,160
Disposals	-	-	(103,051)	-	-	-	-	-	-	(103,051)
Transfer	-	-	-	-	887,049	-	-	-	(887,049)	-
Transfer to intangible assets (note 13)	-	-	-	-	-	-	-	-	(59,523)	(59,523)
At 31 December 2017	575,868	19,591,053	999,391	323,575	16,333,427	309,503	433,038	213,626	61,372	38,840,853
Accumulated depreciation										
At 1 January 2017	-	4,067,854	712,048	117,695	6,420,747	207,170	294,179	112,847	-	11,932,540
Charge for the year	-	653,033	129,468	15,214	809,448	39,375	57,979	11,169	-	1,715,686
Disposals	-	-	(102,644)	-	-	-	-	-	-	(102,644)
At 31 December 2017	-	4,720,887	738,872	132,909	7,230,195	246,545	352,158	124,016	-	13,545,582
Net book amounts										
At 31 December 2017	575,868	14,870,166	260,519	190,666	9,103,232	62,958	80,880	89,610	61,372	25,295,271

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land	Buildings (including leased assets)	Motor vehicles	Bore Wells	Plant and machinery (including leased assets)	Furniture and fittings	Office equipment	Porta cabins	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost										
At 1 January 2016	575,868	15,098,362	959,539	271,232	14,455,963	191,466	350,322	205,226	3,472,245	35,580,223
Additions	-	140,570	68,736	-	203,555	109,563	70,334	-	2,688,978	3,281,736
Disposals	-	(3,140)	(120,331)	-	-	-	-	-	-	(123,471)
Write-off	-	(40,221)	-	-	-	-	-	-	-	(40,221)
Transfer	-	4,352,342	140,000	-	720,745	1,564	-	-	(5,214,651)	-
At 31 December 2016	575,868	19,547,913	1,047,944	271,232	15,380,263	302,593	420,656	205,226	946,572	38,698,267
Accumulated depreciation										
At 1 January 2016	-	3,480,131	705,365	104,133	5,635,763	181,804	238,174	102,246	-	10,447,616
Charge for the year	-	591,039	127,014	13,562	784,984	25,366	56,005	10,601	-	1,608,571
Write-offs	-	(2,681)	-	-	-	-	-	-	-	(2,681)
Disposals	-	(635)	(120,331)	-	-	-	-	-	-	(120,966)
At 31 December 2016	-	4,067,854	712,048	117,695	6,420,747	207,170	294,179	112,847	-	11,932,540
Net book amounts										
At 31 December 2016	575,868	15,480,059	335,896	153,537	8,959,516	95,423	126,477	92,379	946,572	26,765,727


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FOODS


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